

## Baby Boomers Planning for Retirement

As the oldest of the baby boom generation of Americans born between 1946 and 1964 approach middle age, they are nearing the next life stage - retirement. More than 79 million baby boomers will retire in 2010, and in about 30 years, there will be nearly twice as many older Americans as there are today.

We now live longer, healthier lives and can expect to spend more time in retirement than our parents did. Achieving the dream of a secure and comfortable retirement is much easier when you start planning early. Most financial advisors say retirees will need about 70 percent of pre-retirement earnings to comfortably maintain a pre-retirement standard of living. Social Security retirement benefits will replace only 40 percent, so it is necessary to supplement your benefits with a pension, savings or investments.

The baby boom generation represents the largest sustained growth of the population in the history of the United States. Its members span close to twenty years and diversity is a key characteristic among the group. Many baby boomers have "unique expectations for retirement." In 1998, AARP initiated a major research initiative with Roper Starch Worldwide Inc. *Baby Boomers Envision Their Retirement: An AARP Segmentation Analysis*. The following information is condensed from the report. Baby Boomers envision a very novel type of retirement. The survey finds that most Baby Boomers believe that they will still be working *during* their retirement years.

- Fully eight in ten Baby Boomers say they plan to work at least part time during their retirement; just 16 percent say they will not work at all;
- A little more than one-third (35 percent) say they will be working part time mainly for the sake of interest and enjoyment;
- About one-quarter (23 percent) say they will work part time mainly for the income it provides;
- Others envision starting their own business (17 percent) or working full time at a new job/career (5 percent).

In other ways, the data from the report suggests that Baby Boomers may experience a retirement different from the previous generation. For example:

- Just two in ten Baby Boomers (21 percent) expect to move to a new geographic area when they retire;
- Almost one-quarter (23 percent) expect to receive an inheritance that will affect their retirement planning;
- Only about one-third (35 percent) expect that they will have to scale back their lifestyle during retirement;
- Just 23 percent think they will have to struggle to make ends meet;
- Relatively few believe, at least at this point, that they will have serious health problems when they are retired (16 percent).

This self-reliant attitude is reflected in Baby Boomers' anticipated sources of retirement income, as well. For example:

- Almost seven in ten Baby Boomers (68 percent) say they can count on self-directed sources of income such as IRAs and 401(k)s during retirement;
- Six in ten count on money from savings and investments as retirement income;
- Fewer than half (48 percent) say they are counting on Social Security as a source of retirement income;
- Two-thirds of Baby Boomers are satisfied with the amount of money they are putting away today for retirement.

### **Generational Differences**

In many ways, the survey supports the stereotypes of Baby Boomers as a confident, independent, optimistic and somewhat self-involved group. Moreover, Baby Boomers are conscious of the differences between their generation and previous ones. For example, compared to other generations, Baby Boomers admit that:

- Their generation needs more money than their parents' generation to live comfortably (84 percent);
- Their generation is more self-indulgent than their parents' (75 percent);
- Their generation will live longer (67 percent);
- Their generation will be healthier during retirement (56 percent).

### **Optimism and Ambivalence**

The Baby Boomers' characteristic optimism is illustrated in their attitudes toward their retirement years. As they look toward the future:

- Nearly seven in ten (69 percent) feel optimistic about their retirement years, with 28 percent saying they are very optimistic and very much looking forward to those years, and 41 percent saying they are fairly optimistic and pretty much looking forward to them.
- Those who have thought the most about their retirement are the most optimistic about it; more than eight in ten (81 percent) of those who say they have given a great deal of thought to retirement say they feel optimistic about their later years.

Indeed, when it comes to thinking about retirement, Baby Boomers' views of the subject reflect a certain amount of ambivalence. For example:

- Three-quarters (76 percent) of Baby Boomers say it is important to sacrifice and save now for the future, yet about one-half (47 percent) say they find it hard to save
- About four in ten Baby Boomers (39 percent) agree with the sentiment "I can't imagine myself retired," yet almost the same proportion (44 percent) disagree with the statement.

• Ambivalence about getting older underscores the fact that while the median age of Boomers is 42, the typical Boomer says he or she feels 35!

The entire report is available at  
[http://research.aarp.org/econ/boomer\\_seg\\_1.html](http://research.aarp.org/econ/boomer_seg_1.html)

## **Social Security**

According to the Social Security Administration, it now takes in more in taxes than it pays out in benefits. The excess funds are credited to Social Security's trust funds which are expected to grow to more than \$4 trillion before they are used to pay benefits. In 2017, more will be paid out in benefits than collected in taxes. By 2041, the trust funds will be exhausted and the payroll taxes collected will be enough to pay only about 73 percent of benefits owed. Check out [www.ssa.gov/retire2/](http://www.ssa.gov/retire2/) for more information on Social Security retirement planning and benefit calculations.

## **Debt**

Today's 50-plus generation is less averse to debt than its predecessors. Debt is rising sharply among Americans 50 years and older. Older Americans often take on more debt than they can handle and many use credit cards to tide themselves over. Twenty years ago people didn't have credit cards. Financial experts say high debt burdens could be here to stay as baby boomers, who are more comfortable with credit, get ready to retire.

## **Economic Issues**

The 2003 Retirement Confidence Survey indicates Baby Boomers plan to postpone retirement due to the "growing anxiety because of stock market losses and continuing economic turmoil." The 2003 Retirement Confidence Survey is found at [www.ebri.org](http://www.ebri.org). Additional retirement planning calculators and interactive tools, including the Ballpark Estimate worksheet are available at [www.choosetosave.org](http://www.choosetosave.org) and [www.asec.org](http://www.asec.org). These Web sites were developed to aid the general public in savings education and retirement planning.

## **THERE IS NO TIME LIKE THE PRESENT TO START PLANNING FOR RETIREMENT AND YOUR FINANCIAL FUTURE.**

This information is provided to educate and motivate people of all ages to save and plan for retirement and other life stages.

### **For More Information**

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